

## Message Text

PAGE 01 STATE 164983  
ORIGIN SP-02

INFO OCT-01 ISO-00 AF-10 SIG-03 EB-08 HA-05 OES-07  
L-03 SS-15 INR-10 ( ISO ) R

DRAFTED BY S/P:CLANCASTER/JAH  
APPROVED BY S/P:ALAKE  
AF:RMOOSE  
AID:GBUTCHER

-----078175 290118Z /62

R 282340Z JUN 78  
FM SECSTATE WASHDC  
TO ALL AFRICAN DIPLOMATIC POSTS

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STADIS////////////////////////////////////  
FOR AMBASSADORS FROM S/P:LAKE AND AF:MOOSE

E.O. 11652: N/A

TAGS:ECON

SUBJECT: FOREIGN ECONOMIC POLICY TOWARD AFRICA

1. FOLLOWING UP ON THE ANNUAL BUDGET SUBMISSION AND THE GORM EXERCISE THE DEPARTMENT'S POLICY PLANNING STAFF HAS PREPARED THE FOLLOWING SHORT DISCUSSION PAPER ON US ECONOMIC POLICIES TOWARD AFRICA OVER THE NEXT SEVERAL YEARS. THE ANALYSIS IS NEITHER EXHAUSTIVE NOR DOES IT NECESSARILY REPRESENT A CONSENSUS WITHIN THE DEPARTMENT OR THE USG. IT DOES, HOWEVER, REFLECT OUR OVERALL EFFORT TO SEEK MORE IMAGINATIVE WAYS OF EFFICIENTLY MOVING NECESSARY RESOURCES TO AFRICA.

2. WE WOULD APPRECIATE YOUR REACTIONS, COMMENTS, AND  
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RECOMMENDATIONS IN LIGHT OF THE SPECIFIC ECONOMIC PROBLEMS IN YOUR REGION AND COUNTRY. ILLUSTRATIVE EXAMPLES WOULD BE PARTICULARLY USEFUL, ALTHOUGH WE ARE NOT ASKING FOR MORE THAN THREE OR FOUR PAGES OF COMMENTS FROM EACH POST.

3. YOUR EARLY VIEWS WILL BE HELPFUL IN ADVANCING OUR THINKING ON THIS IMPORTANT SUBJECT PRIOR TO TERMINATION OF THE FY 80 BUDGET CYCLE.

4. IT WOULD BE MOST HELPFUL IF YOU COULD CABLE YOUR

COMMENTS TO US BY TUESDAY, JULY 11.

5. BEGIN TEXT. DURING OUR SPRING REVIEW OF THE FY-80-82 FOREIGN ASSISTANCE BUDGET PROPOSALS WERE MADE FOR AID LEVELS TO AFRICA WHICH ARE HIGHER THAN THE SUBSTANTIAL INCREASES AID IS PLANNING. WE HAVE DONE SOME PRELIMINARY THINKING ON HOW THAT MONEY MIGHT BE USED, HOW OTHER FOREIGN ECONOMIC POLICIES COULD COMPLEMENT THAT EFFORT, AND HOW THE USG COULD PUT TOGETHER AN ECONOMICALLY SENSIBLE AND POLITICALLY SIGNIFICANT PACKAGE.

6. WE HAVE IN MIND BUILDING ON CURRENT AID EFFORTS AND UNDERTAKING A LONG-TERM INTEGRATED DEVELOPMENT STRATEGY WHICH ADDRESSES FUNDAMENTAL AFRICAN PROBLEMS WHICH WE DO NOT NOW FOCUS ON. IN THIS EFFORT WE WOULD EXPAND AID'S ACTIVITIES BY TRYING TO MAKE ITS PERCEIVED CONGRESSIONAL MANDATE MORE FLEXIBLE; STEER THE DEVELOPMENT BANKS IN PARTICULAR DIRECTIONS; ACCELERATE OUR EFFORTS TO DEVISE CERTAIN "GLOBAL" POLICIES AND, TO THE EXTENT POSSIBLE, GIVE THEM AN AFRICAN ORIENTATION; AND ENCOURAGE TRADE, PRIVATE INVESTMENT, AND TECHNICAL ASSISTANCE WITH RESPECT TO AFRICAN COUNTRIES.

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7. AFRICAN PROBLEMS AND POTENTIAL US RESPONSES. THE BASIC PROBLEMS WHICH THE US WOULD ADDRESS WOULD INCLUDE: (1) INFRASTRUCTURE. THE LACK OF ADEQUATE TRANSPORT REMAINS A MAJOR BOTTLENECK TO ECONOMIC DEVELOPMENT IN AFRICA GENERALLY AND TO EXPANSION IN AGRICULTURAL PRODUCTION AMONG THE RURAL POOR. LACK OF IRRIGATION FACILITIES ALSO LIMITS AGRICULTURAL PRODUCTION AND AN INADEQUATE COMMUNICATIONS SYSTEM PREVENTS INDUSTRIAL DEVELOPMENT AND CLOSER REGIONAL COOPERATION. THIS PROBLEM WAS GIVEN SOME PROMINENCE WHEN THE UN DECLARED THIS DECADE THE DECADE OF TRANSPORTATION IN AFRICA. MOREOVER, UNLIKE BASIC HUMAN NEEDS (BHN) PROJECTS, WHICH TEND TO MAKE GREAT DEMANDS ON LIMITED US AND AFRICAN MANPOWER FOR THE DELIVERY OF RELATIVELY SMALL AMOUNTS OF RESOURCES, INFRASTRUCTURE PROJECTS CAN BE UNDERTAKEN WITH CONSIDERABLY LESS STRAIN ON LIMITED US OR AFRICAN PERSONNEL.

BECAUSE OF THE BASIC HUMAN NEEDS FOCUS OF OUR BILATERAL AID PROGRAM AND ANTICIPATED OBJECTIONS FROM CONGRESS, THE US HAS BEEN SEVERELY LIMITED IN ITS ABILITY TO SUPPORT INFRASTRUCTURE PROJECTS IN AFRICA. WE BELIEVE THIS CONSTRAINT CANNOT BE ENTIRELY ELIMINATED -- NOR SHOULD IT BE -- BUT THAT WE CAN GAIN SOME FLEXIBILITY IF WE ARE

CAREFUL TO DEMONSTRATE THAT PARTICULAR INFRASTRUCTURE PROJECTS WILL OVER THE LONGER RUN HELP REMOVE CRITICAL

BOTTLENECKS TO EQUITABLE GROWTH IN A COUNTRY OR REGION.  
MOREOVER, EACH INFRASTRUCTURE PROJECT SHOULD BE CAREFULLY  
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THEY MAY BE CRUCIAL TO ENSURE THE EFFECTIVENESS OF BHN  
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IT MAY ALSO BE WORTH EXPLORING THE POSSIBILITY OF  
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IN ADDITION TO PROVIDING MORE EMPHASIS IN US ASSIST-  
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WE MIGHT:

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-- CONTRIBUTE TO COMMODITY PRICE STABILIZATION TO

THE EXTENT PRACTICABLE THROUGH

A) SPECIAL EFFORTS TO PARTICIPATE CONSTRUCTIVELY  
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B) ACCELERATING THE TIMETABLE FOR POSSIBLE NEGOTIATION  
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-- PROVIDE SUPPORT AND ENCOURAGEMENT FOR EXPANSION  
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B) COORDINATION OF COMPENSATORY FINANCE SCHEMES (IMF,  
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EXPATRIATE LABOR. WE MIGHT EXPAND US BILATERAL ASSISTANCE  
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TO SUPPORT INVESTMENT IN "HUMAN CAPITAL" IN AFRICA,  
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FINALLY, A MORE LIBERAL US POLICY ON FINANCING RECURRENT COSTS OF PROJECTS--PARTICULARLY THOSE IN HEALTH OR OTHER SECTORS WHICH DO NOT GENERATE REVENUES--COULD HELP ENSURE THE LONG RUN SUCCESS OF SUCH PROJECTS IN COUNTRIES WHERE BUDGET RESOURCES ARE SERIOUSLY CONSTRAINED.

(4) MINI-STATES AND MINI-MARKETS. THE BOUNDARIES OF MANY AFRICAN STATES WERE SET WITHOUT REGARD TO GEOGRAPHY, ECONOMIC VIABILITY OR TRIBAL LINKS. AS A RESULT OF THIS AND OTHER FACTORS, MANY AFRICAN STATES MAY BE TOO SMALL TO SUPPORT EFFICIENT INFRASTRUCTURE (E.G., ENERGY PRODUCTION) MANUFACTURING OR SERVICE INDUSTRIES. INCREASED REGIONAL COOPERATION WOULD HELP EXPAND MARKETS. AN ANALYSIS MIGHT BE UNDERTAKEN OF HOW US ASSISTANCE TOGETHER WITH ASSISTANCE FROM OTHER DONORS CAN SUPPORT AND ENCOURAGE GREATER REGIONAL LIMITED OFFICIAL USE  
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ECONOMIC COOPERATION (E.G., RIVER BASIN DEVELOPMENT, REGIONAL TRANSPORT AND COMMUNICATIONS SYSTEMS, SUPPORT OF ECOWAS AND OTHER EFFECTIVE REGIONAL INSTITUTIONS).

(5) HEALTH. REGION-WIDE DISEASES (SLEEPING SICKNESS, RIVER BLINDNESS, ETC.) HAVE PREVENTED THE EXPANSION OF AGRICULTURE AND LIVESTOCK, LIMITED PRODUCTIVITY OF RURAL FARMERS AND CAUSED WIDESPREAD SUFFERING IN MANY PARTS OF AFRICA. ERADICATION OF THESE DISEASES AND PREVENTING THEIR RECURRENCE IS DIFFICULT, EXPENSIVE AND REQUIRES CONSIDERABLE COOPERATION AMONG DONORS AND RECIPIENTS. AN ADDITIONAL PROBLEM IS WATER-BORNE DISEASE, BOTH IN RURAL AND URBAN AREAS. US ASSISTANCE, AND THAT OF OTHER DONORS COULD FOCUS MORE HEAVILY ON THESE HEALTH PROBLEMS (INCLUDING A LONG TERM COMMITMENT TO ELIMINATION AND SUBSEQUENT PREVENTION OF THE PRINCIPAL DISEASES).

(6) ENERGY. INCREASES IN ENERGY COSTS HAVE CAUSED SOME ECONOMIC DISLOCATION AMONG A NUMBER OF AFRICAN COUNTRIES. MOREOVER, HIGH ENERGY COSTS PROVIDE A DISINCENTIVE TO NEW PRIVATE INVESTMENT. FUTURE SHORTAGES AND PRICE INCREASES COULD EXACERBATE THESE PROBLEMS. MOST AFRICAN COUNTRIES ARE DEPENDENT ON ENERGY IMPORTS, AND THEIR LOCAL POTENTIAL (HYDROELECTRIC, SOLAR, OTHER) ARE LARGELY UNEXPLOITED. US ASSISTANCE POLICIES COULD ADDRESS INDIGENOUS ENERGY PRODUCTION THROUGH SUPPORT OF SOLAR ENERGY DEVELOPMENT AND IRRIGATION FACILITIES WHICH AT THE SAME TIME PROVIDE ELECTRICITY.

CONCLUSION:

THESE ARE SOME THOUGHTS BASED ON A BRIEF REVIEW OF CURRENT  
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JUST DESCRIBED COULD EASILY BE PRESENTED AS AN INTEGRATED  
SCHEME SINCE, AS NOTED, INFRASTRUCTURE IS RELATED TO ALL  
OTHER ASPECTS OF DEVELOPMENT, AS IN HEALTH, TRAINING, AND  
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ENERGY. ULTIMATELY, WE WOULD, TO THE EXTENT FEASIBLE, WANT  
TO PLAN DEVELOPMENT IN SUB-REGIONAL CONTEXTS, ALTHOUGH  
ACTUAL PROGRAMS COULD OF COURSE BE UNDERTAKEN BY NATIONAL  
GOVERNMENTS. THE PROBLEM OF COORDINATION--AMONG DONORS  
AND BETWEEN THEM AND RECIPIENTS--MAY BE FORMIDABLE, GIVEN  
THE CAST OF PARTICIPANTS AND THE INCREASING AMOUNTS OF AID  
GOING INTO THE CONTINENT. END TEXT. VANCE

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APPROVED BY IO/UNA:AFHOLLOWAY  
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STADIS/////////  
FOR AMB YOUNG FROM UNA-HOLLOWAY

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28 JUN 78 QUOTE

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IT MAY ALSO BE WORTH EXPLORING THE POSSIBILITY OF EXPANDING US ASSISTANCE FOR LOCAL COST FINANCING OF THESE PROJECTS WHERE RECIPIENTS' BUDGET CONSTRAINTS LIMIT THEIR ABILITY TO PROVIDE SUFFICIENT LOCAL COST FINANCING.

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THESE ARE SOME THOUGHTS BASED ON A BRIEF REVIEW OF CURRENT ECONOMIC PROBLEMS AND POLICIES IN AFRICA. THE ELEMENTS JUST DESCRIBED COULD EASILY BE PRESENTED AS AN INTEGRATED SCHEME SINCE, AS NOTED, INFRASTRUCTURE IS RELATED TO ALL OTHER ASPECTS OF DEVELOPMENT, AS IN HEALTH, TRAINING, AND ENERGY. ULTIMATELY, WE WOULD, TO THE EXTENT FEASIBLE, WANT TO PLAN DEVELOPMENT IN SUB-REGIONAL CONTEXTS, ALTHOUGH ACTUAL PROGRAMS COULD OF COURSE BE UNDERTAKEN BY NATIONAL GOVERNMENTS. THE PROBLEM OF COORDINATION--AMONG DONORS AND BETWEEN THEM AND RECIPIENTS--MAY BE FORMIDABLE, GIVEN THE CAST OF PARTICIPANTS AND THE INCREASING AMOUNTS OF AID GOING INTO THE CONTINENT. END TEXT. VANCE

UNQUOTE CHRISTOPHER

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<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 sep 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DEVELOPMENT, POLICIES  
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**Draft Date:** 28 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
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**Reference:** n/a  
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**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/c5334f7e-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
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